

Savings Bonds Training Outline

This outline provides key information regarding savings bonds that you may find useful when conducting in-house training.

I. Introduction

 See Chapter 1 for more information.

A. Background

- A savings bond represents a loan made to the United States. Savings bonds are registered securities backed by the full faith and credit of the United States. They cannot be sold in a secondary securities market or used as collateral.
- The U.S. Savings Bond Program began in 1935. The Series E bond was introduced in May 1941 and became the most widely held security in the world. The Series EE bond replaced the Series E bond in 1980. The I Bond was introduced in 1998.

B. Relationship among Financial Institutions, Treasury Retail Securities (TRS), and the Bureau of the Public Debt

- Financial institutions meet customer needs by assisting in the completion of savings bond transactions and answering questions.
- TRS services financial institutions by processing savings bond payments and transactions, and by providing instructional materials and training.
- The Bureau of the Public Debt establishes guidelines, makes final accounting for bonds issued and bonds retired, and processes savings bond cases that are beyond the authority of TRS.

II. General Information

 See Chapter 1 for more information.

A. Series Available

The following series of savings bonds can be obtained as new issues:

- Series EE (Accrual type) – Paper bond is purchased at a discount; interest accumulates and is paid as part of the bond's redemption value when the bond is cashed.
- Series I (Accrual type) - Bond is purchased at face value; interest accumulates and is paid as part of the bond's redemption value when the bond is cashed.

B. Denominations

- **Series EE** - Available over-the-counter in denominations of \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000. (The \$50 and \$75 denominations are not available through payroll deduction.)
- **Series I** - Available over-the-counter and through payroll deduction in denominations of \$50, \$75, \$100, \$200, \$500, \$1,000, and \$5,000. (The \$50 Series I bond is not available through payroll deduction.)

C. Eligible Owners

Series EE Bonds

- Residents of the United States, its territories and possessions, and the Commonwealth of Puerto Rico.
- Citizens of the United States residing abroad.
- Civilian employees of the United States or members of its Armed Forces, regardless of residence or citizenship, provided they have a taxpayer identification number (TIN).
- Residents of Canada or Mexico who work in the United States, but only if the bonds are purchased on a payroll savings plan and the owner provides a TIN.

Series I Bonds

- Any individual with a valid U.S. taxpayer identification number, regardless of citizenship or residency.

D. Authorized Forms of Registration

- Individual: owner, co-owner, beneficiary.
- Fiduciaries: trustees, custodians, guardians, etc. (Limited to estates of living persons for Series I bonds.)
- Private and public organizations. (Not available for I bonds)

E. Purchase Limits

- The current annual purchase limit on paper Series EE bonds is \$5,000 (purchase price) - \$10,000 (face amount) per person (first-named registrant – owner or first-named co-owner), per calendar year.
- The current annual purchase limit on Series I bonds is \$5,000 face value per social security number (SSN). Bonds purchased in co-ownership form are attributable to the first-named co-owner whose SSN is on the bond.
- Gift bonds are not included when determining whether the purchaser's own bonds are in excess of the limit.
- Bonds the purchaser obtained in earlier years are excluded from the limit.

F. Interest and Maturity

Rates are announced each May 1 and November 1 and posted at www.treasurydirect.gov. To determine the interest rate and maturity date of specific bonds, use the Savings Bond Calculator at http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm. You can also call your servicing Treasury Retail Securities Site.

Series I Bonds

- Series I bonds are accrual type securities. Interest accumulates and is paid when the bond is redeemed.
- Series I bonds usually increase in value monthly, and interest is compounded semiannually. I bonds can earn interest for up to 30 years - a 20-year original maturity period and a 10-year extended maturity period. I bonds redeemed before 5 years are subject to a 3-month interest penalty.
- A Series I bond's earnings rate reflects the combination of a fixed rate and an inflation rate. A Series I bond's fixed rate does not change for the entire life of the bond. The inflation rate can vary. It is the percent change in the CPI-U over a six-month period—March to September and September to March. The fixed rate is combined with the inflation rate every six months to determine the bond's earnings rate. Rates are announced in May and November.

Series E/EE Bonds



See Appendix J for detailed questions and answers about interest on these bonds/notes.

- Series E/EE bonds are accrual type securities. Interest is added to the redemption value of the bond and is paid when the bond is redeemed.

Series EE Bonds Issued May 2005 and After

- Series EE bonds with May 2005 and later issue dates earn a fixed rate of interest. The fixed rate will apply for the 30-year life of the bond—which includes a 10-year extended maturity period—unless a different rate or rate structure is announced or applied at the start of the extension period at 20 years.
- Interest rates are adjusted each May 1 and November 1. The new rate will apply to bonds issued for the following six months.
- Bonds increase in value monthly and interest is compounded semiannually.
- Bonds redeemed before they are five years old are subject to an interest penalty equal to the most recent three months of interest.

Series EE Bonds Issued May 1997 through April 2005

- Series EE bonds with May 1997 through April 2005 issue dates earn interest at variable rates that are 90% of six-month averages of 5-year Treasury securities yields. These bonds increase in value monthly, and interest is compounded semiannually. Bonds redeemed before they are 5 years old are subject to a 3-month penalty.
- Interest rates are announced in May and November. They are annual rates that apply to bonds for the next six-month earning periods.
- Bonds redeemed before they are five years old are subject to an interest penalty equal to the most recent three months of interest.

Series EE Bonds Issued May 1995 through April 1997

- Interest is added every six months. Bonds will increase in value six months after the issue date and every six months thereafter.
- Interest earned is based on market yields for Treasury securities for the first 17 years (original maturity).
- Bonds earned the short-term rate for the first 5 years and earn the long-term rate from 5 to 17 years.
- The short-term rate was 85% of the average (during the previous three months) of six-month Treasury securities yields.
- The long-term rate is 85% of the average (during the previous six months) of five-year Treasury securities yields.
- If bonds are redeemed between the dates during which they accrue interest, interest will be paid for the partial period.

Series E/EE Bonds Issued Before May 1, 1995

- During the first five years these bonds earned interest at the guaranteed minimum rates.
- Now that the bonds are over five years old, they earn interest at either market-based rates or guaranteed minimum rates, whichever results in a higher bond value overall.

- ✓ The market-based savings bond rate is set at 85% of the average of the 5-year Treasury securities yields for the applicable earning periods.
- ✓ Guaranteed minimum rates are set at the time a bond is issued. The rate is subject to change as a bond enters a new extension period.
- Series E bonds and Series EE bonds issued before March 1993 increase in value every six months. Series EE bonds issued from March 1993 through April 1995 increased in value monthly for the first five years, then increase every six months (from their issue dates) after the first five years (unless monthly increases in value are needed to make sure bond owners receive the guaranteed minimum return).
- Bonds earn interest beyond original maturity until they reach final maturity - a term of 30 or 40 years, depending on the issue date. *Note: Because all 40-year bonds have ceased to earn interest, all bonds over 30 years old are no longer earning interest and should be redeemed.*

Series H/HH Bonds

- The sale of Series H bonds was discontinued in December 1979.
- Series H/HH bonds are current-income type securities. Interest is paid every six months by direct deposit (ACH) to an account in the owner's or co-owner's name.
- Series HH bonds were offered from January 1980 to August 2004. Existing Series HH bonds will continue to earn interest until redemption or final maturity, whichever occurs first.
- Series HH bonds earn interest at a fixed rate.
- Series HH bonds are issued for an original term of 10 years and have one 10-year extension, giving them a full life of 20 years.
- Interest rates are set at the time of purchase and are subject to change as a bond enters a new extension period.
- Series H bonds were issued for an original term of 10 years and have two ten-year extensions, giving them a full life of 30 years.

G. Tax Options

Option 1 - Interest Exclusion from Taxes for Education

- The interest on Series EE and I bonds purchased after December 31, 1989, may be tax-exempt when used to: (1) pay tuition and fees at qualified educational institutions or (2) make contributions to a qualified state tuition program (beginning with the 1998 tax year), provided the bond owners meet certain income and registration requirements.
- Advise the bond owner to maintain records of tuition and fees versus interest paid on the bonds. Refer them to IRS forms 8815 and 8818 and IRS Publication 550 and 970. The paying agent will issue an IRS form 1099-INT either at the time of redemption or at the end of the year showing the amount of interest paid on the bonds redeemed.

Option 2 - Children's Plan

- Interest income on bonds purchased in a child's name alone or with a parent as the beneficiary (not a co-owner) can be included in income by the child each year as interest accrues or be deferred until the bonds are redeemed, provided the bond owner meets certain income and registration requirements. Refer to IRS Publication 929.

H. Claims for Loss, Theft, or Destruction of Bonds After Receipt

- If a bond is lost, stolen, or destroyed after receipt, the bond owner must complete form PD F 1048 to apply for a substitute and mail the form directly to the Bureau of the Public Debt for processing.
- Lost bonds older than 12 months will be replaced by the Bureau of the Public Debt. The customer should complete and mail a form PD F 1048.

I. Chain Letter Schemes

- If you become aware of bonds involved in a chain letter scheme, advise the bond “holder” to complete form PD F 2966. You should submit the form and bond(s) to your servicing TRS site.
- The claimant will receive the original purchase price of the bond but will not receive any interest that has accumulated because the bond was purchased through a chain letter scheme.

III. Issuing Bonds

See Chapter 2 for more information.



A. Over-the-Counter Bonds

Agent procedures

- Purchaser completes bond order forms PD F 5263 or PD F 5263-1 (Series EE) and PD F 5374 or PD F 5374-1 (Series I) and remits the payment to you. You batch order forms with a transmittal document form 8642 for EE bonds and form 1357 for I bonds and send or transmit the information to your servicing TRS site. It is important to batch Series I bond orders separately from Series EE orders. Note: Fiduciary registrations and foreign addresses must be forwarded to your servicing TRS site. Do not process over Savings Bonds Direct®.
- There are several submission options for the completed savings bond order forms: paper, diskette, CD, and electronic data transmission.
- All completed savings bond order forms are processed at one of the following servicing TRS sites: Minneapolis or Pittsburgh.
- When the servicing TRS site receives orders, your reserve/correspondent account is debited for the dollar amount of the batch. If an order form must be rejected due to errors, your account will be credited the corresponding amount of the application.

Completing Purchase Order Forms

- Registration options include individual and fiduciary.
- Proper completion of Item 2: This information should be completed if the bond will be mailed to someone other than the bond owner. The name provided in Item 2 conveys neither ownership nor tax liability.
- The SSN should be that of the owner, but if the owner’s number is not known, the purchaser’s number may be used. The number is used for record-keeping purposes only and does not indicate tax liability.

Agent Responsibilities

- Ensure that each purchase order form is complete, accurate, and legible. Offer a gift certificate if the purchaser is not the bond owner. Verify that the information entered into an automated system matches the order form.
- Ensure that your servicing TRS site receives orders and payment within five business days of the recorded purchase date.
- Collect payment for the bonds being ordered.
- Reconcile reserve account charges daily, and make inquiries on questionable items on a timely basis. The timeliness of these inquiries is important because purchase records are available at your servicing TRS site for a limited number of months.
- Handle inquiries regarding bonds.

Acceptable Forms of Payment

- The purchaser can pay you by cash, check, money order, or savings stamps. It should be noted that agents accept personal checks at their own risk, particularly those drawn on accounts with other depository financial institutions.
- Your servicing TRS site charges the reserve/correspondent account of your institution.

Completing Batch Transmittal Forms

- Order forms are assembled in groups of no more than 40 per batch with only one series per batch.
- A separate batch is required for fiduciary registrations or foreign addresses.
- Complete transmittal form 8642 and form 1357 properly to avoid delays in processing. Provide a contact name and telephone number on the transmittal form that your servicing TRS site may use if additional information is needed.

Maintaining a Supply of Forms

- Monitor the amount of forms inventory on hand and order forms from your servicing TRS site several weeks in advance to allow ample time for delivery.

Record Retention

- Retain purchase applications for four months.

Processing Time

- You are required to send savings bond order forms and associated payments to your servicing TRS site within five business days of the date of the order form.
- Savings bonds should be received by the customer within 15 business days of the receipt of the purchase order at the TRS Site.

Fee Payment

- You are paid 50 cents per order form for each paper form PD F 5263, 5263-1, 5374, or 5374-1 submitted.
- You are paid 85 cents per order form that is submitted via an automated format. (Remember that form PD F 5263-1 and PD F 5374-1 can be submitted in paper form only.)

Interest Assessment

- If you exceed the 5-day requirement for submitting order forms, you are subject to an interest assessment.

Bond Delivery

- The U.S. Postal Service returns undeliverable bonds to your servicing TRS site. The TRS site will contact you to facilitate resolution and subsequent delivery of the bonds.

Issue Date of Bond

- The date on the purchase order form determines the issue date.
- If you accept payment by check, you should base the date on the order form according to the availability of the funds.


Claims for Nonreceipt of Bonds

- Before a bond may be replaced due to nonreceipt, a period of 30 calendar days must elapse from the date of printing to ensure that it has not been delayed in the mail. After this period, the servicing TRS site will complete the nonreceipt claim form and send it to the customer for signature. Upon receipt of the signed claim form from the customer, the servicing TRS site will replace the bond.
- If the original bond is older than 12 months from date of issue, the customer must complete form PD F 1048 and submit it to the Bureau of the Public Debt for replacement of the bond.

IV. Reissue Transactions

See Chapter 3 and Appendixes C and D for more information.

A. Requests for Reissue

- A reissue is used to change the registration of a bond. The newly reissued bond will bear the same issue date and will be of the same series as the original.
-  Bonds may not be reissued to:
 - Change an address. For Series H/HH bonds, the owner should update the Treasury's records by completing form PD F 1980 or by using the secure Internet HH/H account management system at http://www.treasurydirect.gov/indiv/myaccount/myaccount_hhservices.htm.
 - Change the financial institution for depositing Series H/HH interest payments. The owner must complete form SF 1199A or PD F 5396 to make this change.
 - Change the spelling of the "mail-to" name.
 - Correct SSN errors. (Notify the Treasury in writing to update its records.)
 - Change denominations only.
- Bonds will not be reissued within one month of, or after, final maturity. (A request for reissue of such bonds will, however, be accepted to establish an authorized change in ownership of the bonds for subsequent redemption.) Bonds cannot be reissued if processed by your servicing TRS site less than one full calendar month before final maturity. To ensure reissue, mail bonds to the servicing TRS site so the bonds will arrive no later than two months before final maturity.

B. Agent Responsibilities

- Establish the correct reissue form to use by referencing the reissue tables and assist the bond owner in completing it, using one form for each different registration requested.
- Ensure that the owner signs each form submitted in the presence of a certifying official, who should sign his or her name, title, and date, and affix the agent identification stamp. This stamp should identify the name of the institution and branch location.
- Ensure that proper evidence, if any, is included.
 - Certified letters of appointment (Must not be more than one year old. If the letters of appointment are more than one year old, they must bear full force and effect statement dated no more than one year before transaction is presented.)
 - Certified copy of court evidence (For example, adoption papers and divorce decrees.)
 - Certified copy of death certificate (There is no time limitation on this document.)

C. TRS Responsibilities

- Your servicing TRS bond examiners evaluate transactions to ensure that the bonds, the reissue request, and required evidence are current and in proper form. If all paperwork is in order, the reissue transaction will be completed within 10 business days. The new bonds will be delivered as requested.

- In some cases, your servicing TRS site is required to forward transactions to Public Debt for processing. In these cases, your TRS site will notify the bond owner.

V. Paying Bonds

See Chapters 5 and 6, and Appendix D for more information.

A. General Information



- When a bond is presented for redemption:
 - Ensure that the bond is at least 12 months old and examine the bond for alterations, erasures, and invalid or incorrect bond registrations.
 - Establish evidence requirements based on bond registration and the individual requesting payment.
 - Ensure proper identity using *The Guide to Cashing Savings Bonds* (PD P 0022) to avoid any potential loss as a result of the fraudulent payment of bonds.
 - Obtain the signature of the person requesting payment and notate the ID and evidence on the back of the bond.
 - If the SSN of the payee differs from the one shown on the bond, write the correct SSN on the back of the bond.
 - If payment is to be made by your servicing TRS site, you should ask the presenter to sign the bonds and then certify the signature on the back of each bond.
 - If you pay a bond, you will provide IRS form 1099-INT to the payee. If your servicing TRS site redeems the bond, they will provide IRS form 1099-INT to the payee. All interest from savings bonds and notes is reported as one amount on the IRS form 1099-INT.

Free software is available to agents from Treasury for use in determining the redemption values of bonds. The redemption value reflects any penalty due to an early redemption. (Series EE bonds issued May 1997 or later and Series I bonds are subject to a penalty equal to the most recent three months of interest if they are cashed in the first five years from the issue date.)

B. Bonds That You Can Pay

- You can pay Series E/EE and I bonds and savings notes that are at least 12 months old and presented by an owner or co-owner.
- You can pay Series A, B, C, and D savings bonds. Because these bonds have matured, the redemption value is the face amount printed on the bond.
- You can pay savings stamps for the face amount.
- You can pay a beneficiary who provides a certified copy of the owner's death certificate.
- You can pay a fiduciary handling a decedent's estate who provides a certified copy of the letters of appointment. The letters of appointment must not be dated more than one year prior to the date the bonds are presented for payment. If the letters of appointment are more than one year old, they must bear a full force and effect statement dated no more than one year before the transaction is presented. If the bonds are in co-owner or beneficiary form of registration, the fiduciary must provide certified copies of the death certificates of both parties. The fiduciary must also supply the TIN of the estate or SSN of the last decedent. A fiduciary handling a decedent's estate cannot redeem a bond unless all parties named on the bond are deceased.
- You can pay a fiduciary whose name and title are shown in the bonds' registrations.

- Identification requirements include:
 - Customer Identification
 - Personal Identification
 - Documentary Identification: when relying solely on documentary identification, you must limit the redemption value to \$1,000 or less per transaction.
- Paid bonds are submitted to the local FRB using a method known as EZ Clear.

C. Bonds That You Cannot Pay

- Series F, G, H/HH, J, and K savings bonds.
- Series E/EE and I bonds or savings notes with registrations other than individuals in their own right. *See exceptions noted in “B. Bonds That You Can Pay”.*
- Series EE and I bonds that are less than 12 months old.
- Bonds presented by an attorney-in-fact (power of attorney).
- Bonds issued in the name of a corporation, partnership, association, or any other type of company or institution.
- Bonds that are mutilated, altered, defaced, or irregular in any way.
- Partial redemption transactions must be forwarded to the servicing TRS site for processing. Indicate the amount the bond owner wishes to redeem and the remainder to be reissued.

D. Preparing Bonds to Be Paid by Public Debt or the Federal Reserve Bank

- Before submitting bonds, ensure that:
 - The “Request for Payment” section has been properly completed.
 - The bonds are certified with an officer’s (or authorized employee) signature, title, date, and paying agent seal or medallion.
 - Notations of how identification was established should be made on the back of the bond.
 - The proper evidence has been obtained.
- Forward the bonds and documents for processing. The transaction will be processed within ten business days from the date the transaction is approved for payment.

E. The Guide to Cashing Savings Bonds (PD P 0022)

- The guide provides simplified redemption instructions for tellers.
- The guide can be downloaded at <http://www.treasurydirect.gov/forms/sav0022.pdf>.
- You may also order hard copies of the guide by contacting your TRS Site.